

Annual Management Report of Fund Performance

December 31, 2018

Beutel Goodman Canadian Dividend Fund

Beutel Goodman Canadian Dividend Fund

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual or interim financial statements of the investment fund. You can get a copy of the annual or interim financial statements at your request at no cost (contact details on this page) or by visiting our website at www.beutelgoodman.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request the investment fund's prospectus, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Certain portions of this report, including, but not limited to, "Results of Operations" and "Recent Developments", may contain forward-looking statements about the Fund, including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and other similar forward-looking expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and forecasts about future events and are inherently subject to, among other things, risks, uncertainties and assumptions which could cause actual events, results, performance or prospects to be incorrect or to differ materially from those expressed in, or implied by, these forward-looking statements.

These risks, uncertainties and assumptions include, but are not limited to, general economic, political and market factors, domestic and international, interest and foreign exchange rates, equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. This list of important factors is not exhaustive. Please consider these and other factors carefully before making any investment decisions and avoid placing undue reliance on forward-looking statements. The Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

Beutel Goodman Managed Funds

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Beutel Goodman Canadian Dividend Fund

Management Discussion of Fund Performance

Investment Objectives and Strategies

The Fund's objective is to achieve a balance between high dividend income and capital growth by investing mainly in a diversified portfolio of blue-chip Canadian common stocks and, to a lesser extent, in high-yield preferred stocks and interest-bearing securities.

The Fund's advisor chooses primarily blue-chip common stocks, but may also invest in other securities, including foreign securities, with a preference to capital growth, while seeking to provide a high, regular level of income. The Fund seeks reputable stocks that are undervalued in the market, focusing on mid and large capitalization Canadian corporations in a variety of industries, favouring equity securities that provide a stable income. The Fund may use derivatives, principally to hedge against changes in the exchange rate between the Canadian dollar and foreign currencies in which investments held by the Fund are denominated.

Risk

There were no significant changes to the investment objectives or strategies that affected the Fund's overall level of risk during the year. The risks of investing in this Fund and the suitability of the Fund for investors remain as discussed in the Prospectus.

There were no changes to the Fund's risk rating during the reporting period.

Results of Operations

Canadian equities had a challenging January 1 to December 31, 2018 period, with the S&P/TSX Composite Index declining -8.9%. Like many other markets around the world, elevated volatility was driven by multiple factors, including indications of moderating economic growth, a U.S. Federal Reserve that continued to tighten liquidity, extended U.S.-China trade concerns, and geopolitical tensions such as Brexit uncertainty and turmoil in Washington.

On the Canadian front in particular, a major theme in the period was the volatility and ultimate decline in crude oil prices. The price of West Texas Intermediate (WTI) declined by 24.8% during 2018, with the most significant damage occurring in the fourth quarter, when WTI dropped from a high of US\$76.41/barrel (bbl) in late October to a low of US\$42.33/bbl at the end of December. A variety of reasons were floated for the rapid falloff, including miscommunication over the imposition of sanctions on Iran, the failure of OPEC to cut enough, unwinding of speculative hedges, slower global demand, and greater supply from the U.S. shale oil plays. Of more concern for Canada, though, was the widening of differentials between Western Canadian Select and Edmonton Light versus WTI, which was more of a made-in-Canada problem due to the lack of pipeline capacity out of the Alberta Basin.

The Bank of Canada (BoC) hiked the overnight rate by 25 basis points once in each of January, July and October 2018, bringing the overnight rate to 1.75%. At the time of the last rate hike in October, the Bank sounded a fairly upbeat tone on the Canadian economy, noting the reduction in trade uncertainty after the USMCA (U.S. – Mexico – Canada Agreement) was secured will likely increase business investment, and that the Canadian economy was operating close to its potential with the composition of growth more balanced. Fast forward to the Bank's monetary policy release in December and all of the perceived hawkishness was removed. The BoC noted signs had emerged that trade conflicts are weighing more heavily on global demand and growth has

slowed in major economies, with the exception of the U.S. For Canada, the major change was the sharp decline in oil prices, which could materially weaken activity in the energy sector. The BoC also cautioned that data suggests there was less momentum for the Canadian economy going into the fourth quarter than previously expected.

Against this backdrop, Beutel Goodman Canadian Dividend Fund outperformed its benchmark for the period. Unlike the index, the Fund's return is net of fees and expenses paid by the Fund. Please refer to the "Annual Compound Returns" in the Past Performance section for the returns of all classes of the Fund. At the sector level, the main contributor was the strong performance of holdings in the Communication Services, Health Care and Material sectors. This was modestly offset by the Fund's declines in the share prices of holdings in the Industrials and Information Technology sectors. U.S.-dollar currency hedging also detracted from the Fund's performance, as the Canadian dollar weakened against the U.S. dollar in the period.

At the individual security level, Verizon Communications Inc. was the largest contributor to performance on an absolute basis. Verizon generated strong returns due to an improving competitive environment and management's clear messaging that the company remains focused on technology, not content. Eli Lilly was also a top contributor, rising relatively steadily throughout the period due to strong operating results and continued improvement in fundamentals and sentiment in the pharmaceutical industry. In addition, the company announced new milestones with respect to products and treatments in the areas of diabetes and immunology. Metro Inc. posted improving performance as the year progressed, including the smooth integration of its acquisition of Jean Coutu Group (PJC) Inc., as well as an acceleration of its deleveraging plans and reinstatement of its share-buyback program. Additionally, improving market conditions helped pricing, which benefitted sales and margins.

The largest detractor in 2018 was Canadian Natural Resources Ltd., as it declined sharply in the fourth quarter along with other Western Canadian producers due to low crude oil prices as well as an inability to physically ship product to market. Power Financial Corp. also detracted, driven by weakness in holdings Great-West Lifeco Inc. (GWL) and IGM Financial Inc. GWL was negatively affected by the overall underperformance in the life insurance sector while IGM fell in tandem with the weakness in asset managers as well as fears surrounding long-term fee compression. Bank of Nova Scotia and Royal Bank of Canada also detracted from performance, despite good earnings and dividend hikes during the year, as more modest consumer loan growth and worries over the housing market weighed on sentiment. In addition, Bank of Nova Scotia was weak over concerns about recent acquisition activity.

During the period, we initiated two new positions in the portfolio: GlaxoSmithKline plc and Bank of Montreal. The largest additions to existing positions included Metro Inc., Canadian Natural Resources Ltd. and Molson Coors Brewing Co., all due to attractive valuations and risk/return profiles. To fund these additions and new positions, we fully sold Thomson Reuters Corp., Finning International Inc., Canadian Imperial Bank of Commerce and Eli Lilly and Co. We also trimmed several holdings, including Parker Hannifin Corp., Verizon Communications and Cenovus Energy Inc.

Detailed performance is provided under the heading "Past Performance" in this report.

Beutel Goodman Canadian Dividend Fund

Recent Developments

In our view, the poor stock market performance discounts the strong underlying fundamentals of the portfolio holdings, including sustainable earnings, solid balance sheets and strong cash-flow generation. It is in these types of market environments that our key tenet of capital preservation becomes evident. We focus on buying stocks that trade below their intrinsic value to provide downside protection and mitigate risk.

After a 10-year bull market, it would be unreasonable to assume that there would not be a correction at some point. With the global economy showing signs of a slowdown and central banks trying to normalize interest rates, it appears that the market is focusing on disappointing macro news instead of strong fundamentals. Stocks have declined substantially as a result and are now, in most cases, offering very appealing value – especially for long-term investors. We believe Canadian equities remain attractively valued – indicative of further upside potential. Our bottom-up stock selection and value orientation has led to an overweight in Financials and Communication Services currently, and a more cautious footing with respect to Energy and Materials stocks.

Related Party Transactions

Beutel, Goodman & Company Ltd. (“BG”) is the Manager, Trustee and Portfolio Advisor to this Fund. The Fund pays a management fee to BG as compensation for its services. The Fund pays a fixed administration fee to BG, which in turn pays certain operating expenses of the Fund. BG as trustee of the Fund earns a fee which is paid by the Manager from the fixed administration fee paid by the Fund.

The Fund did not rely on any recommendation or approval of its Independent Review Committee to proceed with any transaction involving related parties because it did not conduct any related party transactions, except for certain inter-fund trades and the management and administrative fees as described above, as approved by the Independent Review Committee by standing instructions, and subject to regulatory requirements.

Management Fees: As Manager, BG is paid a management fee from each class of the Fund based on the average daily net asset value of the particular class. The fee is payable monthly, in arrears, and is calculated at the annualized rate specified for each class of the Fund as set out in the table below. Management fees for Class I units are negotiated and paid directly by the investor, not by the Fund, and, therefore, are not listed.

	Maximum Annual Management Fee Rate %	As a Percentage of Management Fees	
		Dealer Compensation %	General Administration, Investment Advice and Profit %
Class B	1.85	54	46
Class D	1.25	20	80
Class F	0.90	0	100

Administration Fee: The Manager receives a fixed administration fee to pay certain operating expenses of the Fund. These expenses include audit and legal fees; custodian and transfer agent fees; costs attributable to the issue, redemption and change of units, including the cost of the security holder record-keeping system; expenses incurred in respect of preparing and distributing all regulatory reports; fund accounting and valuation costs; independent review committee fees and filing fees, including those incurred by us. The administration fee may vary by class of units and by Fund.

BG, as trustee of the Fund, earns a fee which is paid by the Manager from the administration fee paid by the Fund.

Beutel Goodman Canadian Dividend Fund

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years ended December 31. This information is derived from the Fund's audited annual financial statements and is provided for each class of units.

Financial Highlights per unit

Class B Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014
Net assets, beginning of year	15.93	15.13	13.11	13.77	12.95
Increase (decrease) from operations					
Total revenue	0.53	0.49	0.53	0.50	0.47
Total expenses	(0.37)	(0.37)	(0.33)	(0.32)	(0.33)
Realized gains (losses) for the year	0.28	0.50	0.21	0.57	0.68
Unrealized gains (losses) for the year	(1.47)	0.78	2.05	(0.90)	0.45
Total increase (decrease) from operations⁽¹⁾	(1.03)	1.40	2.46	(0.15)	1.27
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.16	0.11	0.25	0.17	0.17
From capital gains	0.30	0.41	—	0.43	0.35
From return of capital	—	—	—	—	—
Total annual distributions⁽²⁾	0.46	0.52	0.25	0.60	0.52
Net assets, end of year⁽³⁾	14.55	15.93	15.13	13.11	13.77

Ratios and Supplemental Data

Class B Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
Total net asset value (\$) (000's)⁽⁴⁾	93,022	66,169	26,944	11,744	10,684
Number of outstanding units (000's)⁽⁴⁾	6,394	4,155	1,781	896	776
Management expense ratio⁽⁵⁾	2.14%	2.13%	2.12%	2.10%	2.10%
Management expense ratio before waivers or absorptions⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate⁽⁷⁾	23%	25%	15%	29%	31%
Trading expense ratio (%)⁽⁸⁾	0.06%	0.09%	0.07%	0.07%	0.08%
Net asset value per unit, end of year	14.55	15.93	15.13	13.11	13.77

Financial Highlights per unit

Class D Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014
Net assets, beginning of year	10.38	9.82	8.48	8.90	8.34
Increase (decrease) from operations					
Total revenue	0.36	0.32	0.35	0.32	0.30
Total expenses	(0.17)	(0.16)	(0.14)	(0.14)	(0.14)
Realized gains (losses) for the year	0.19	0.36	0.14	0.35	0.47
Unrealized gains (losses) for the year	(0.88)	0.41	1.24	(0.52)	0.28
Total increase (decrease) from operations⁽¹⁾	(0.50)	0.93	1.59	0.01	0.91
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.14	0.10	0.19	0.16	0.14
From capital gains	0.19	0.27	—	0.28	0.22
From return of capital	—	—	—	—	—
Total annual distributions⁽²⁾	0.33	0.37	0.19	0.44	0.36
Net assets, end of year⁽³⁾	9.51	10.38	9.82	8.48	8.90

Ratios and Supplemental Data

Class D Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
Total net asset value (\$) (000's)⁽⁴⁾	102,235	112,735	84,398	53,436	42,441
Number of outstanding units (000's)⁽⁴⁾	10,746	10,860	8,594	6,300	4,770
Management expense ratio⁽⁵⁾	1.48%	1.48%	1.48%	1.47%	1.47%
Management expense ratio before waivers or absorptions⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate⁽⁷⁾	23%	25%	15%	29%	31%
Trading expense ratio (%)⁽⁸⁾	0.06%	0.09%	0.07%	0.07%	0.08%
Net asset value per unit, end of year	9.51	10.38	9.82	8.48	8.90

Beutel Goodman Canadian Dividend Fund

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years ended December 31. This information is derived from the Fund's audited annual financial statements and is provided for each class of units.

Financial Highlights per unit

Class F Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014
Net assets, beginning of year	16.30	15.45	13.38	14.06	13.21
Increase (decrease) from operations					
Total revenue	0.55	0.50	0.54	0.52	0.48
Total expenses	(0.22)	(0.21)	(0.19)	(0.19)	(0.19)
Realized gains (losses) for the year	0.29	0.54	0.20	0.58	0.68
Unrealized gains (losses) for the year	(1.41)	0.76	2.27	(0.89)	0.36
Total increase (decrease) from operations ⁽¹⁾	(0.79)	1.59	2.82	0.02	1.33
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	0.01	–	–	0.01	–
From dividends	0.31	0.25	0.29	0.31	0.29
From capital gains	0.31	0.42	–	0.44	0.36
From return of capital	–	–	–	–	–
Total annual distributions ⁽²⁾	0.63	0.67	0.29	0.76	0.65
Net assets, end of year ⁽³⁾	14.90	16.30	15.45	13.38	14.06

Ratios and Supplemental Data

Class F Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
Total net asset value (\$) (000's) ⁽⁴⁾	98,201	75,602	31,219	8,079	7,176
Number of outstanding units (000's) ⁽⁴⁾	6,590	4,639	2,021	604	510
Management expense ratio ⁽⁵⁾	1.11%	1.12%	1.11%	1.13%	1.12%
Management expense ratio before waivers or absorptions ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	23%	25%	15%	29%	31%
Trading expense ratio (%) ⁽⁸⁾	0.06%	0.09%	0.07%	0.07%	0.08%
Net asset value per unit, end of year	14.90	16.30	15.45	13.38	14.06

Financial Highlights per unit

Class I Units

(for the years ended December 31)

\$	2018	2017	2016	2015	2014
Net assets, beginning of year	11.13	10.54	9.10	9.56	8.97
Increase (decrease) from operations					
Total revenue	0.37	0.35	0.38	0.35	0.33
Total expenses	(0.03)	(0.03)	(0.03)	(0.02)	(0.03)
Realized gains (losses) for the year	0.20	0.35	0.16	0.33	0.47
Unrealized gains (losses) for the year	(0.94)	0.43	1.30	(0.71)	0.31
Total increase (decrease) from operations ⁽¹⁾	(0.40)	1.10	1.81	(0.05)	1.08
Distributions to unitholders per unit:					
From net investment income (excluding dividends)	0.01	–	–	0.01	–
From dividends	0.32	0.27	0.34	0.31	0.28
From capital gains	0.21	0.29	–	0.30	0.24
From return of capital	–	–	–	–	–
Total annual distributions ⁽²⁾	0.54	0.56	0.34	0.62	0.52
Net assets, end of year ⁽³⁾	10.18	11.13	10.54	9.10	9.56

Ratios and Supplemental Data

Class I Units

(for the years ended December 31)

	2018	2017	2016	2015	2014
Total net asset value (\$) (000's) ⁽⁴⁾	224,549	218,375	81,345	57,065	28,011
Number of outstanding units (000's) ⁽⁴⁾	22,060	19,623	7,720	6,268	2,929
Management expense ratio ⁽⁵⁾	0.07%	0.07%	0.11%	0.10%	0.11%
Management expense ratio before waivers or absorptions ⁽⁶⁾	0.11%	0.11%	N/A	N/A	N/A
Portfolio turnover rate ⁽⁷⁾	23%	25%	15%	29%	31%
Trading expense ratio (%) ⁽⁸⁾	0.06%	0.09%	0.07%	0.07%	0.08%
Net asset value per unit, end of year	10.18	11.13	10.54	9.10	9.56

Beutel Goodman Canadian Dividend Fund

- (1) Net asset value per unit and distributions to unitholders per unit are based on the actual number of units outstanding for the relevant class at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding for the relevant class over the fiscal year.
- (2) Distributions were paid in cash or automatically reinvested in additional units of the Fund.
- (3) This is not a reconciliation of the beginning and ending net assets per unit.
- (4) This information is provided as at year end of the year shown.
- (5) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net asset value during the year.
- (6) The Manager may have waived or absorbed some of the fund expenses. If this had occurred, the management fee ratio before any such waiver or absorption is listed. The Manager may terminate the waiver or absorption at any time, at its discretion. It is not known when such waivers or absorptions will be terminated.
- (7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the fiscal year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a higher turnover rate and the performance of a Fund. Portfolio turnover rate equals the lesser of the costs of purchases and the proceeds of sales of portfolio securities for the year divided by the average value of the portfolio securities of the Fund calculated on a monthly basis, excluding short-term securities.
- (8) The trading expense ratio represents total commissions and other portfolio transaction costs disclosed in the Statements of Comprehensive Income expressed as an annualized percentage of daily average net asset value of the Fund during the year.

Past Performance

The performance returns below:

- are calculated as of **December 31** in each year;
- assume **all distributions** made by the Fund **are reinvested** to purchase additional units; and
- show the returns of the particular class of the Fund after any applicable management fees and operating expenses have been deducted, **but are not reduced by any redemption charges, optional charges or income taxes payable by you that would have reduced returns on performance.**

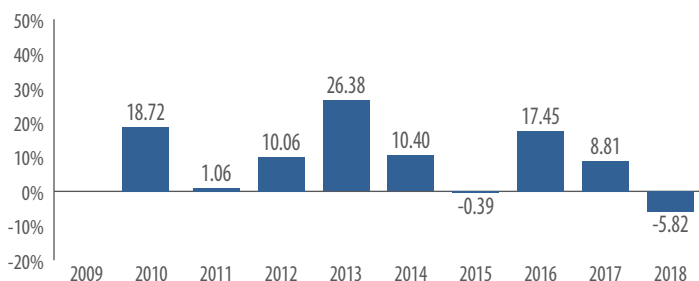
Please remember that the past performance of the Fund is not an accurate prediction of future returns.

Beutel Goodman Canadian Dividend Fund

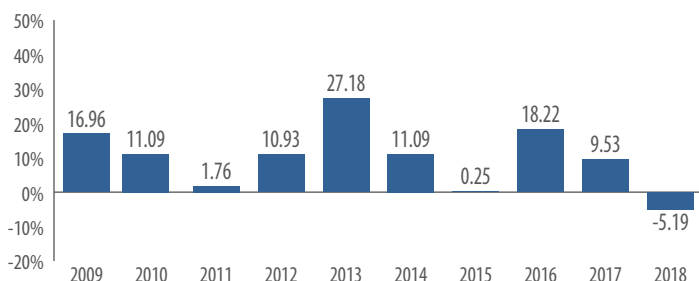
Year-by-Year Returns

The bar chart indicates the Fund's annual performance for each of the year's shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows in percentage terms how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

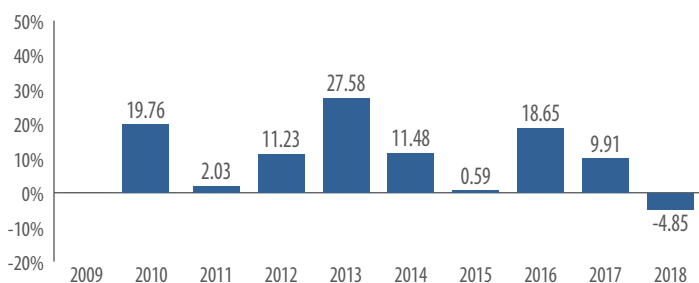
Class B



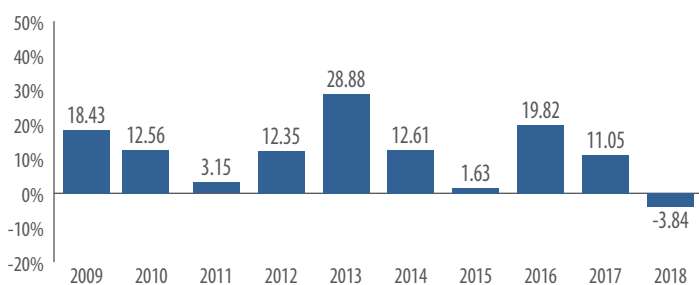
Class D



Class F



Class I



Annual Compound Returns

The following table shows the Fund's historical annual compound total returns for each of the periods indicated ended on December 31, 2018, as compared to the performance of the S&P/TSX Composite Index.*

Class B

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman Canadian Dividend Fund	%	8.41	–	5.77	6.37	-5.82
S&P/TSX Composite Index	%	4.84	–	4.06	6.37	-8.89

Class B units have been available for sale to unitholders since October 4, 2010.

Class D

		10 Years	5 Years	3 Years	Past Year
Beutel Goodman Canadian Dividend Fund	%	9.81	6.45	7.07	-5.19
S&P/TSX Composite Index	%	7.92	4.06	6.37	-8.89

Class F

		Since Inception	10 Years	5 Years	3 Years	Past Year
Beutel Goodman Canadian Dividend Fund	%	9.50	–	6.83	7.46	-4.85
S&P/TSX Composite Index	%	4.84	–	4.06	6.37	-8.89

Class F units have been available for sale to unitholders since October 4, 2010.

Class I

		10 Years	5 Years	3 Years	Past Year
Beutel Goodman Canadian Dividend Fund	%	11.29	7.93	8.56	-3.84
S&P/TSX Composite Index	%	7.92	4.06	6.37	-8.89

* The S&P/TSX Composite Index is designed to represent the Canadian mid-large cap equity market.

A discussion of the relative performance of the Fund is under the Results of Operations section of this report.

Beutel Goodman Canadian Dividend Fund

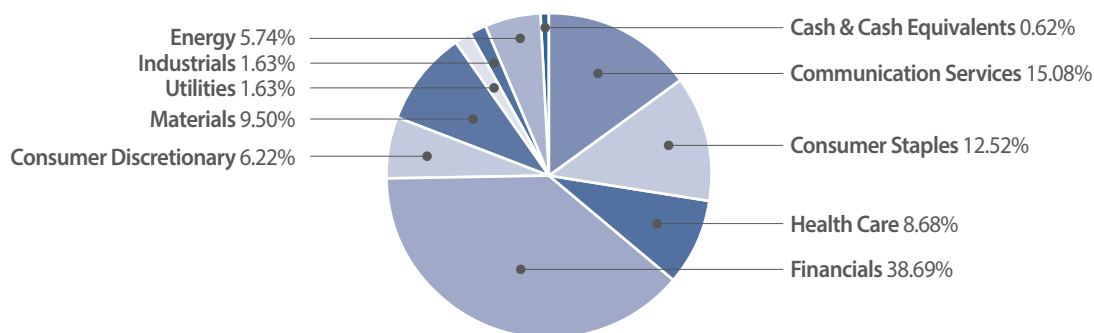
Summary of Investment Portfolio

The following information may change due to the ongoing portfolio transactions of the Fund. More current information regarding the holdings of the Fund may be obtained on our website at www.beutelgoodman.com.

Summary of Top 25 Holdings

Issuer Name	% of Net Assets	Issuer Name	% of Net Assets
1. Royal Bank of Canada	9.38	14. Omnicom Group Inc.	3.50
2. The Toronto-Dominion Bank	8.95	15. Bank of Montreal	3.35
3. Bank of Nova Scotia	6.38	16. Kellogg Co.	3.18
4. Rogers Communications Inc., Class B	6.23	17. GlaxoSmithKline PLC	3.01
5. Verizon Communications Inc.	5.33	18. Canadian Tire Corp Ltd., Class A	2.11
6. Sun Life Financial Inc.	5.12	19. Unilever NV	1.99
7. Metro Inc., Class A	5.08	20. Merck KGaA	1.69
8. Nutrien Ltd.	4.96	21. Parker Hannifin Corp.	1.63
9. Canadian Natural Resources Ltd.	4.51	22. Superior Plus Corp.	1.62
10. Air Liquide SA	4.49	23. Brookfield Asset Management Inc.	1.43
11. Magna International Inc.	4.10	24. Molson Coors Canada Inc., Class B	1.30
12. Power Financial Corp.	4.02	25. Cenovus Energy Inc.	1.22
13. Roche Holding AG	3.93		

Asset Mix





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